

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 AGRE-00 COME-00
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C O N F I D E N T I A L SEOUL 3170

PASS AID AND USDA/OGSM-HARRISON

E.O. 11652: GDS
TAGS: EAID EAGR KS US
SUBJ: PL 480 LONG-TERM AGRICULTURAL AGREEMENT

REF: SEOUL 3060

1. EPB DIRECTOR-GENERAL OF PLANNING KIM JAE-IK CALLED IN ECON COUNSELOR THIS MORNING TO SAY THAT HE HAD BEEN ORDERED TO ATTEND A CONFERENCE ON AMERICAN-KOREAN ECONOMIC RELATIONS UNDER THE AUSPICES OF THE INSTITUTE OF EAST ASIAN STUDIES AT THE UNIVERSITY OF CALIFORNIA, BERKELEY ON APRIL 28. FROM MAY 1-3 HE WOULD BE IN WASHINGTON WHERE THE DEPUTY PRIME MINISTER HAD ASSIGNED HIM THE TASK OF UNRAVELLING THE PL 480 - CCC CREDIT - LONG-TERM-AGRICULTURAL-SUPPLY AGREEMENT. HE WOULD THEN BE GOING TO THE KUSEC CONFERENCE IN NEW YORK ON MAY 8 (SPEAKING ON RECENT CHANGES IN KOREAN ECONOMIC POLICY).

2. THE DISCUSSION WITH KIM ELICITED THE FACT THAT THE ROKG WAS OVER A BARREL. IT WAS REQUESTING THREE-YEAR GOVERNMENT-TO-GOVERNMENT CCC CREDIT TO FINANCE CORN AND WHEAT IMPORTS FOR THE BALANCE OF 1978 IN THE AMOUNT OF ABOUT \$170 MILLION REPORTED SEPTEL. IT NEEDED THE WON COUNTERPART TO SUPPORT THIS YEAR'S DEVELOPMENT BUDGET, PARTICULARLY
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IN THE RURAL AREAS.

3. ITS ALTERNATIVES WERE NEXT TO NIL, RIGHT NOW. EITHER CENTRAL BANK OR COMMERCIAL BANK FINANCING WAS RULED OUT BY THE NECESSITY TO GET APPROVAL FROM THE NATIONAL ASSEMBLY WHICH WOULD NOT MEET BEFORE SEPTEMBER AND WOULD PROBABLY NOT BE ABLE TO ACT BEFORE DECEMBER. THE ONLY OTHER OPENING

WAS CANADA, WHO, EPB OFFICIAL REPORTED, HAD OFFERED TERMS
EQUAL TO U.S. CCC CREDIT (WE HAD PREVIOUSLY HEARD FROM
A COMMERCIAL SOURCE THAT CANADA HAD OFFERED 10 YEAR MONEY).

4. EMBASSY COMMENT: LONGER RUN SIGNIFICANCE IS THAT U.S.
FAILURE TO PROVIDE SOMETHING CLOSE TO WHAT ROKG IS ASKING
IN 1978 WILL (A) BREAK U.S. MONOPOLY AND (B) CAUSE ROKG IN
FUTURE TO PLAN ON COMMERCIAL OR THIRD-COUNTRY GOVERNMENT
FINANCING FOR SOME PART OF ITS FUTURE AGRICULTURAL IMPORTS.
LONG-RUN AGREEMENT WHICH WOULD ASSURE U.S. MONOPOLY WOULD
OBVIOUSLY ALSO BE PRECLUDED, ALTHOUGH WE COULD PROBABLY GET
SUCH AN AGREEMENT FOR LESS-THAN-ENTIRE-MARKET. USG FAILURE
TO RESPOND NOW WOULD PERFORCE LEAD TO ROKG REQUEST FOR
BORROWING AUTHORITY FROM ITS NATIONAL ASSEMBLY NOT TIED TO
U.S. PROCUREMENT AT BEST, AND AT WORST, TIED TO THIRD-
COUNTRY PURCHASE.

5. REQUEST ANY ADVICE FOR DR. KIM (WE COULD NOT ASK FOR
A BLIGHTER OR FRIENDLIER NEGOTIATOR), AS WELL AS SUGGESTED
APPOINTMENTS AND CONTROL OFFICER.
SNEIDER

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